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Experts discuss ways businesses, lawmakers can keep drug costs affordable in Arizona

Moderated by: Ray Schey, market president and publisher of the Phoenix Business Journal



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RAY SCHEY: This is our table of experts on keeping prescription drug prices low. I am Ray Schey, market president and publisher of the Phoenix Business Journal. With us, we have Ed DeVaney, senior vice president of employer practice at CVS Health; Mike Noble, chief of research at O.H. Predictive Insights, a nonpartisan Phoenix market research firm; and Jaime Molera, partner with Molera Alvarez, a small business government and public affairs firm.

To kick things off, Ed, tell us about CVS Health and its footprint in Arizona, what does that look like?

EDWARD DEVANEY: As one of Arizona's largest employers and a fully integrated health care company, we're really working to transform the consumer health care experience, making care more convenient, personalized, and affordable for people in Arizona and across the country.

CVS Caremark, our PBM (pharmacy benefit manager), is headquartered in Scottsdale, and there are more than 12,000 CVS health employees within the state, including 628 pharmacists at nearly 200 CVS retail stores across

the state and in the pharmacy benefit services. We also have more than 36 Minute Clinics and 36 Health Hubs within Arizona. A key stat that I think is helpful is 90% of residents within Arizona live within 10 miles of a CVS pharmacy. We also own a distribution center in Tolleson, and four specialty care sites in Tucson, Prescott and Phoenix.

In 2021, CVS Health filled nearly 14 million prescriptions and Caremark administered nearly 28.5 million prescriptions, which were filled at various local pharmacies across the state. In 2017, we launched a joint venture with Banner Health called Banner Aetna. Banner Aetna is an insurance company that combines Banner's fully integrated teams and care management capabilities with Aetna's health plan experience and analytical insights. Our aim is to promote better health, enhance care coordination and clinical effectiveness, and increase patient access to their own health care information. We also administer health care benefits for Mercy Care, a Medicaid managed-care health plan, serving

AHCCCS members in Arizona since 1985. Mercy Care provides access to physical and behavioral health care services for Medicaid-eligible families, children, seniors and individuals with developmental and cognitive disabilities.

RAY SCHEY: Obviously, a significant presence here. What else do you do to stay involved locally? What else does CVS do here?

EDWARD DEVANEY: Our CEO has set forward what is referred to as Healthy 2030. Our strategy as part of our Healthy 2030 is to invest in the health of our communities for our patients, customers, clients, and colleagues. We support communities across Arizona in a variety of ways, including investment donations, grants, and even sponsorships.

With a focus on addressing housing insecurity as a key social determinant of health, we have made a significant investment in affordable housing across the country. In Arizona specifically, to date since 2000, we've invested \$28.5 million in affordable housing, including \$12.39 million in

2021 alone. During 2021, we provided \$258,000 in corporate grants and sponsorships; and through our in-store fundraising, we have raised just over \$725,000 from stores located in Arizona, which supports organizations including the American Heart Association, the American Diabetes Association, the American Cancer Society, Feeding America, and the Alzheimer's Association. Last year, we funded 19,000 pharmacy school, nurse practitioner and physician assistant scholarships. And through our workforce initiatives, we enable our company purpose by building non-traditional talent pipelines through the power of partnerships. In Arizona, we have 21 active partnerships that work with us to ensure that youth, mature workers, veterans, and individuals with disabilities have a place within our company.

RAY SCHEY: Mike, Arizonans are obviously concerned about the rising costs of so many things these days with inflation and especially health care. What are you hearing from the people in Arizona about their feelings about rising costs in particular about

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health care?

MIKE NOBLE: While Arizona voters are divided, particularly by political party, on the key issues facing the state, they agree that big drug companies and/or the government are to blame for the rising cost of prescription drugs. About 37% feel that big drug companies are to blame for the rising cost of health care and prescription drugs in Arizona, and 30% blame the government. They are also united in their focus for affordability. Voters overwhelmingly prefer lower cost prescriptions over drug company profits, 86% to just 4%, and would rather pick up a lower cost prescription at a specific pharmacy than be able to pick up a prescription at any pharmacy, 84% to 16%.

RAY SCHEY: Jaime, you're obviously a small business owner providing health care for your employees. How do those cost issues impact you and how are you working through those?

JAIME MOLERA: They're significant. Over the last several years, the No. 1 issue for us on our employee costs has been health care costs. We know that health care is very important to keep the good employees we have and also to attract new employees.

But when we have to continually look at health care packages in order to have a comparable structure and the deductibles are having to go up, the premiums are having to go up, to offer quality care, it makes it fairly difficult. One of the things that I've noticed in working with groups like the Greater Phoenix Chamber of Commerce and working with NFIB, the National Federation of Independent Businesses, and the Arizona Small Business Association is health insurance costs are becoming more

and more prevalent. NFIB Executive Director Chad Heinrich was telling me recently that when they did a survey of their members, the No. 1 issue wasn't inflation, it wasn't gas prices, it was health care costs. This is becoming a bigger and bigger issue. And I think having the Legislature and our new governor starting to look at this and look at policies that are driving these increasing costs, like additional regulation of pharmacy benefit managers will be very helpful to businesses.

RAY SCHEY: Interesting. And back to you then, how does CVS Caremark, CVS Health integrated model address the affordability concerns? What do you do?

EDWARD DEVANEY: From a pharmacy benefits perspective, a pharmacy benefit manager partners with both health plans and employers setting forward a pharmacy benefit. Similar to health insurance companies, we help patients access affordable quality health care. A PBM does really the same for prescription drugs. One of the most important things a PBM does is negotiate against drug companies to really lower the cost of prescription drugs. We've seen reports from pharmaceutical manufacturers really setting egregious price hikes and increasing them really just because they can.

Looking at Humira, which is typically No. 1 or No. 2 as the highest cost drug that our health plans and employers within Arizona are paying for. The yearly price for Humira today is \$77,586 or nearly \$3,000 per syringe, and it's prescribed to hundreds of thousands of American patients. Humira has been protected from competition by a patent for the last 20 years. When Humira

was introduced in '03, that syringe cost \$522. This egregious price hike is part of a pattern we see across the pharmaceutical industry, raising prices year after year with no demonstrable increase in the drug performance. We know Americans, families, myself included, certainly cannot afford this. And if you're an employer whose insurance has to cover your costs, your employees' premiums and copays are all going to skyrocket.

So we, the PBM, negotiate with manufacturers for a lower cost. Sometimes that comes in the form of rebates, sometimes it comes in the form of discounts. Again, we work collaboratively to provide value to our end customers, which are employers and health plans. We also negotiate with pharmacies that dispense the drugs, just like health insurance plans that have a network where insurers have negotiated a lower cost for providers in exchange for sending patients to them, PBMs work with plan sponsors and retail pharmacies on creating a network that people within the state of Arizona can leverage across the entire state, whether it be through a chain or independents to access their medication.

Really, what I think is the key aspect of that is most employers provide a pharmacy benefit. We partner with those individual companies, large and small, to understand what's most important for that individual entity and how we might create something that can provide value for them as an employer, value for their member, and then really focus on the key clinical outcomes.

RAY SCHEY: So obviously we see CVS



Ed DeVaney

Senior Vice President of
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As SVP of Employer Accounts, Ed DeVaney is responsible for all new business sales and enhancing partnerships with existing Employer customers. In serving our largest employer clients across the United States Mr. DeVaney and his team are responsible for managing client relationships and supporting the overall strategic management of their pharmacy benefit programs. His team has expertise to address the unique needs of these complex clients and he is accountable for ensuring overall client satisfaction throughout the Business Unit.

A seventeen-year veteran of CVS Health, Mr. DeVaney has led teams supporting many of the company's largest and most progressive employer and health plan clients. He has built a powerful reputation for strategic collaboration and client satisfaction with a focus on team and talent development.

Prior to joining CVS Health, Mr. DeVaney managed client relationships at Hewitt Associates, focusing on health care consulting and benefits administration. He was responsible for ongoing strategic account planning and development with Hewitt clients, as well as financial forecasting and analysis.

Mr. DeVaney holds a MBA from Wake Forest University where he graduated with academic distinction.



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pharmacies on almost every corner. And CVS's family of companies also includes Aetna. So how do they all work together under the CVS Health name?

EDWARD DEVANEY: We really have three domains as part of the CVS Health Enterprise. You have CVS retail, you have CVS Caremark, which partners with employers and health plans on pharmacy benefits, and you have Aetna on the health insurance side. I met with a customer this morning. Same question came up. Our goal is really to simultaneously reduce members' costs, provide value to the payer or the employer or health plan, and significantly increase satisfaction with the benefit, which only happens when you enhance clinical outcomes.

RAY SCHEY: So obviously, affordability and access, sometimes those terms are both used in the same conversation. What is CVS doing on the other side of the coin, which is access?

EDWARD DEVANEY: I would think one of the most important things to start with is patients can access what we call "care teams." When patients use our care management programs to stick to their treatment that the provider initially prescribes, we can improve

health outcomes and lower the cost. Keeping our communities healthier has tremendous impact on reducing costs really throughout the entire system. I do have a study, and over a three-year study, patients receiving coordinated care not only saw their overall health care costs fall by 6%, but they also experienced 18% fewer hospital visits, 10% fewer emergency room visits, and 6% improvement in taking medicine as prescribed for their condition by the prescriber.

RAY SCHEY: Another question on the legislative side for you, Ed. So many states are attempting to regulate the PBMs at the state legislative level, including here in Arizona. How does CVS Health view those attempts?

EDWARD DEVANEY: It's something that we're living and breathing daily right now. I would start by saying that it's characterized as PBM regulation. In my view, that's a mischaracterization. Many of the bills that are most harmful are regulations of the pharmacy benefit, not the PBM. These proposals actually dictate how employers, our customers, and other plan sponsors provide health care benefits to their employees and members. While these requirements have to be carried out by the PBM, they impact the plan sponsor

the most, which include increased costs, necessitating changes to their existing plan design, and ultimately member confusion. We talked a lot about the innovative approaches that CVS Caremark and CVS Health are taking the lower health care cost while simultaneously improving access. Unfortunately, some policy proposals, which are often well intentioned, negatively impact our ability to deliver that same level or heightened level of care and value.

Last year, Arizona policymakers considered State Bill 1161, which would've limited employers' ability to build pharmacy networks. Pharmacies are incentivized to join the networks for more patients, offer lower costs and returns. If an employer can't use the pharmacy network, pharmacies aren't incentivized to offer the most affordable care possible, and costs go up while the quality of that care goes down.

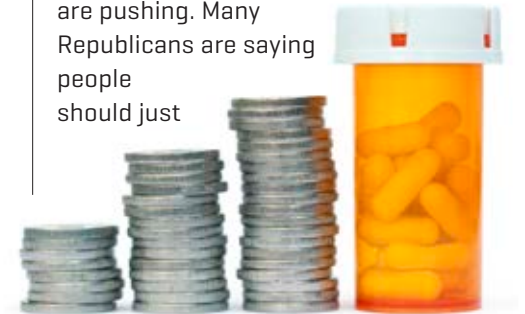
Senate Bill 1161 really would have made home delivery of prescriptions, one of those convenient, innovative options that patients want, more expensive by requiring it costs the same as a prescription you pick up at a pharmacy. Home delivery is more affordable because it goes directly to the patients without requiring a brick-

and-mortar location.

RAY SCHEY: Jaime, as a small business owner, what kind of impact would this legislation have on you?

JAIME MOLERA: It's extremely significant. I worked on this issue with the Greater Phoenix Chamber, Arizona Chamber, NFIB and Small Business Association. It wasn't just these business groups; a number of unions came out and said they offer benefits to their members as well. And when you combined what was expected to be just the health inflation that most folks were thinking was going to happen in the 7% to 10% range, but if you were to add this type of policy, you were talking about a 20% to 25% increase in health insurance costs.

But you combine the progressive Democrats' view that corporations can afford higher costs with, what I call the more populist viewpoint that the Republicans are pushing. Many Republicans are saying people should just



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We know that good health and stable housing go hand-in-hand. That's why we're investing in affordable housing to support underserved populations right here in Phoenix to build healthier communities – just one of many ways we improve Arizonans' health.

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have access to whatever they want; we don't care if they are part of their benefits plan or not, or as part of a managed care structure or not. We think individuals should have access to whatever they want to have for their families. And I understand both points of view, but at the end of the day, somebody has to pay for it. And it's usually businesses, and in Arizona, it's usually small businesses. Small businesses drive our economy. We are the fastest-growing segment employing Arizona citizens. So when you create these kinds of policies that don't take into account the cost increases that businesses are facing to provide quality care for their employees, it makes it more and more difficult.

Our hope is that as we continue to talk about these issues, continue to engage other business groups, that this becomes front of mind so that as they're pursuing these types of bills in the Legislature, that they take into account the cost aspect and the human aspects of these dangerous policies. Because when you take away our ability to pay our people more or hire more people, because we're just continually getting squeezed by these types of mandates that are put on us, it really could have a devastating effect for Arizona's businesses.

RAY SCHEY: Mike, what do Arizonans feel about this kind of legislation? Where do they weigh in?

MIKE NOBLE: Most Arizonans across all key demographics, 56% overall oppose SB 1161, which would have made it more expensive for employers to provide health care to their employees and increased patient costs at the pharmacy. Nineteen percent support

it, and a quarter are unsure. Similarly, across demographics, approximately two-thirds of likely voters in Arizona would be less likely to support a legislator who voted for bills like SB 1161.

RAY SCHEY: If the voters don't want this kind of legislation or this to come into play, what do they want?

MIKE NOBLE: Voters in Arizona want to keep prescription drug prices under control. They're concerned about anything that might increase the cost of prescription drugs. As I

mentioned earlier, voters point to big drug companies and the government as drivers of these cost increases. So while they may approve of legislation that

would make it more difficult for big drug companies to increase prices or to make them justify those increases, they are wary of further government involvement that would increase costs, especially when it comes to Republican voters. They want to put a lid on inflation. They're concerned that increased regulation on the pharmacy benefit will cause an increase in costs, and that will fuel inflation even further.

RAY SCHEY: Any final comments from each of you?

JAIME MOLERA: We want to have Arizona become a state that doesn't have the kinds of onerous regulations and mandates that stifled business growth. But the more we can show how we're being competitive, not just in tax structures, but we're being competitive in policies that make a difference for people, and in my case, the people that work for Molera Alvarez, it's very important that we have these discussions.

RAY SCHEY: How are some of these

initiatives placed on the ballot in the first place? What is the process?

JAIME MOLERA: That's a whole other discussion that I think we need to have, but it's a serious one because some major policy initiatives are going to be put forth in 2024 that deal specifically with health care issues in Arizona that will mandate certain requirements both of hospitals and of health plans — of businesses. And we're starting to see that at the local level where you're seeing these types of mandates be put in place that are anti-business. They really do not help business growth in Arizona or help existing employees have a better future and have a better job and be able to get more money in their pockets in order to help their families. Arizona has a very liberal process of getting these types of initiatives on the ballot, and because it's very difficult unless you have a lot of money to explain it to the voters of what they actually mean.

I think that's why I'm encouraged that you're seeing Arizona's business leaders be much more aggressive in being at the forefront of these discussions as opposed to coming in at the back end. And I think we have to do that. I think we have to do a good job or better job of really staying on top of these things.

EDWARD DEVANEY: I had a conversation recently with a customer, and due to unintended consequences of a state bill introduced in Tennessee, they are now facing significantly higher costs that they don't feel they were ever fully educated on. Many employers, it could be small businesses and even large businesses, are not aware of the consequences of some of these state bills. And typically, almost always, they are raising costs for businesses of which are unanticipated, not budgeted for, and create significant problems for them.



Jaime Molera
Founding Partner
Molera Alvarez

Jaime A. Molera is a founding partner of Molera Alvarez, a Phoenix-based government relations and public affairs firm. Directing one of the state's major lobbying firms, Molera is involved with a myriad of business and community entities throughout the state and is viewed as leader in education and business policy development.

As a public servant, Molera held a variety of high-level state positions, including Superintendent of Public Instruction (2001-2003) and top advisor on policy and legislative affairs to Governor Jane Dee Hull (1997-2001). In 2008, he was appointed to the State Board of Education by Governor Janet Napolitano and reappointed by Napolitano's successor Jan Brewer.

Among his many accomplishments, Molera led the charge as campaign director for Proposition 301, a multimillion dollar initiative to bring Arizona out of the national basement in education funding through new resources (now over half a billion dollars annually) for K-12, community college and university education.

In addition, Molera served as a senior consultant and spokesperson to Sen. Jon Kyl's successful 2006 reelection campaign. In addition to appearing on national and local television, radio and print media news outlets, including the Lehrer Newshour, The New York Times, Wall Street Journal, and National Public Radio, Molera also hosted a weekly TV political talk show, "Politics in the Yard" from 2015-2017 on the CW Network (2015-2017).

Molera was recognized by Phoenix Business Journal in 2006 as one of the 50 most influential leaders in Arizona, in 2012 as one of their Most Admired CEOs & Top Level Executives, and in 2017 as one of the 20 Names to Know in Education. In 2021, the Business Journal selected him to their "Hall of Fame" of 40 Under 40 recipients (an award he won in 2002). He also was selected by Hispanic Business Magazine as one of the top 100 Hispanic leaders in the United States.



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Mike Noble is the Chief of Research & Managing Partner of O.H. Predictive Insights (OHPI), the leading nonpartisan public opinion polling, market research, and data analytics firm based in the Southwest. Noble is a thought-leader on public opinion tracking and analysis, known for being a trailblazer in his field. Mike found a passion for politics while working for an Arizona congressman before starting OHPI. Since then, he has become one of the top pollsters in the Southwest by regularly conducting public and voter sentiment work throughout Arizona, Nevada, and Utah, as well as a trusted source for public opinion polling nationwide. Noble handles client presentations, public and private speaking

engagements, and interviews with notable news outlets including The Wall Street Journal, New York Times, Politico, The Hill, The Guardian, Huffington Post, LA Times, BBC World News, local television stations and local radio stations. Mike graduated from Arizona State University and is married to Rebecca Noble with whom he shares three sons.

